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SUBJECT: PRESIDENT ALIYEV, A/S LOWENKRON AGREE TO ESTABLISH
A PERMANENT DEMOCRACY DIALOGUE

Classified By: CDA Jason P. Hyland, Reasons 1.4 (b,d).

11. (C) SUMMARY: President Aliyev told Assistant Secretary for Democracy, Human Rights and Labor Barry Lowenkron on December 18 that the US and Azerbaijan need a "permanent dialogue, every two months," in which we can address openly and frankly issues related to Azerbaijan's democratic development. Aliyev agreed with A/S Lowenkron's suggestion that Foreign Minister Mammadyarov head the Azerbaijani side and asked Mammadyarov to travel to the US as early as February. Underscoring Azerbaijan's commitment to Euro-Atlantic values and integration and the coincidence of US and Azerbaijani goals in the bilateral relationship, including democracy, Aliyev argued that Azerbaijan is unfairly held to a higher standard than others in the region. Aliyev also said that with US and Turkish support, it will not be difficult for Azerbaijan to join NATO, but this step must be taken when "the time is right" and in a way that minimizes risks of a negative reaction from Azerbaijan's neighbors. Aliyev outlined for Lowenkron his desire to be remembered as a leader who made Azerbaijan a modern nation, politically and economically. He opposed any decision to sign into law pending US legislation to block USG financing for a new regional railroad, and again urged greater US commercial engagement in Azerbaijan's development projects. END SUMMARY.

12. (C) After an introductory meeting in his office on December 18 (septel), President Aliyev hosted a dinner for Assistant Secretary Lowenkron. The Ambassador and Foreign Minister Mammadyarov attended.

Dialogue on Democracy

13. (C) Pointing to the framework Azerbaijan is putting in place for democratic development, A/S Lowenkron asked Aliyev how we can work together going forward on this key element in the bilateral relationship. Aliyev replied that we need "a permanent dialogue, conversation, consultation." This approach "completely fits with our agenda - for us it is also one of the goals of development. We want Azerbaijan to be modern. We have the opportunity" to achieve this goal with Azerbaijan's new oil wealth. Aliyev said that he has visited the US, Europe, Asia and the Muslim world. "I see where the success stories are - some say Azerbaijan has oil wealth and that's enough, but we need modernity in everything, in political development, in economic development, for the people to be proud," Aliyev said. Aliyev pointed to his programs to send Azerbaijani students abroad and to provide internet access in all schools in Azerbaijan to ensure wide

access to information as two key steps to develop Azerbaijan as a modern nation.

¶4. (C) Aliyev said that general modernization of the country, the building of roads, bridges, hospitals and schools, is key for the Azerbaijani people after centuries of being deprived of their right to enjoy the benefits of Azerbaijan's oil wealth - wealth which was "barbarically extracted by the USSR leaving behind great environmental damage." In seeking to modernize the country economically, it is impossible to avoid political modernization, Aliyev said. "When my term ends, I want to tell my people I achieved modernization."

¶5. (C) Underscoring again that the US and Azerbaijan should engage in regular dialogue on Azerbaijan's political development -- "we need that, we would like that to be more intensified" -- Aliyev argued that Azerbaijan is one of the "best" in the region. Democratic development in Azerbaijan, he stated, "is not behind Georgia -- Georgia has arrested and put oppositionists in prison -- but there is a perception that Georgia is the showroom for democracy. In fact, we and Georgia talk more or less the same language." Aliyev noted that perceptions of Azerbaijan are tinged due to the facts that it is a Muslim country, an oil-rich state, and that he succeeded his father. Misperceptions of Azerbaijan are fueled by the efforts of the Armenian lobby working against Azerbaijani interests in the US, the EU and Russia, Aliyev said. The more successful Azerbaijan is, "the more they fight, very often the strikes are coming from them," he said. Perceptions put Azerbaijan in the worst position, but "look at the South Caucasus, compare us to our neighbors, Azerbaijan is surrounded by not very progressive states like Russia, Iran, Kazakhstan, and Armenia. Sometimes it seems

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like we should be Sweden, while everyone else can be what they are."

¶6. (C) Aliyev agreed with A/S Lowenkron that we need a forum in which to raise difficult issues on democracy and human rights frankly, saying that it is very important that the US and Azerbaijan "have a really open and candid dialogue, to exchange views, discuss and send messages." Azerbaijan is not perfect, Aliyev acknowledged. "We make mistakes, sometimes we must admit it is our fault, sometimes it is historical." He suggested that it would be good to continue a "permanent dialogue every two months," underscoring that "our goals coincide 100 percent." Aliyev agreed with Assistant Secretary Lowenkron's suggestion that Foreign Minister

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Mammadyarov head the dialogue on the Azerbaijani side and said Mammadyarov should travel to the US as early as February.

¶7. (C) Aliyev noted that Azerbaijan engages in regular interaction with other important partners including Turkey, Georgia and Russia, with visits every month at the ministerial level. Lamenting that he had tried unsuccessfully some years ago to engage the EU - which "just woke up to, and now understands" Azerbaijan's importance - he emphasized that in contrast, he has seen the US as a key partner since he spent almost two months in Houston in the summer of 2001 to finalize the agreement on the BTC. "Our goals coincide on energy, security and even the most difficult subject, democracy," Aliyev reiterated. Foreign Minister Mammadyarov interjected that while our goals and strategy coincide, it is sometimes difficult for Azerbaijan to see clearly how to implement democratic change. There may be steps that Azerbaijan should take and does not, and "these we should discuss openly and frankly with a minimum of diplomacy," he said. "Sometimes we are criticized and we don't know why."

¶8. (C) Assistant Secretary Lowenkron pointed to the particular importance of regular and serious bilateral

engagement on human rights and democracy given continuing USG concern with respect to due process for those imprisoned, as evidenced by Senator McCain's recent letter regarding several high-profile cases. Noting that he has met and has great respect for Senator McCain, Aliyev said he does not understand and regrets the Senator's involvement. He recalled past instances in which some senior USG officials had congratulated him on electoral successes privately, while others, including Senator McCain, the Embassy and the State Department, had levied criticism in the press and in public statements. These experiences were "a great shock and very painful." Aliyev concluded that "we need more contacts, and more information on what's happening here, to avoid such misunderstandings in the future."

19. (C) Aliyev agreed that human rights is a key element of development but in Azerbaijan, the issue "seems monopolized by NGOs and the opposition, and by NGOs that are used by the opposition as 'branches'," Aliyev said. Civil society in Azerbaijan is still very weak. Opposition-related NGOs get grants and treat them like a business, sharing the funding with the opposition parties, often "fighting over who got what," Aliyev alleged.

NATO

110. (C) Aliyev told Lowenkron that he believes Azerbaijan would have a good chance of joining NATO with the support of Turkey and the US. Georgia has declared its intention to join publicly, but does not enjoy the same degree of support. It "will not be difficult" for Azerbaijan to join NATO, but "it should be done at the right time," Aliyev noted. Just as with the Baku-Tblisi-Ceyhan and Baku-Tblisi-Erzurum pipelines, Azerbaijan must move "consistently, but minimizing risks," to achieve its objective. In the case of the pipelines, Azerbaijan's "neighbors did not realize" until the projects were well underway what the implications were. This was because Azerbaijan pursued these projects with "no political agenda," in a "very businesslike" manner.

Russia

111. (C) Russia is "very stupidly trying to use gas and

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migrants against us," Aliyev said. By next year, he averred, Azerbaijan will have developed its own gas resources and Russia will no longer have leverage through gas and in four to five years, as Azerbaijan develops economically, Russia will no longer have leverage through migrants -- "Russian migrants will be coming here." In response to A/S Lowenkron's comments on Putin's "managed democracy," Aliyev said that Putin "really believes - he has told me many times - that the US overthrew Shevardnadze, your closest friend." For countries like Azerbaijan from the former Soviet empire, it is very important to see a fair, just approach on the part of its international partners. Putin says the West has double standards, but so does Russia, in Aliyev's view. Russia installed a puppet regime in Chechnya so it could claim and react to "terrorism." "We lose confidence when we see" such actions, Aliyev said. Azerbaijan is not a big country and so must always be alert for when and from where danger may come. Russia has been re-establishing its position over the past two years in Central Asia -- in Uzbekistan, Kyrgyzstan and Kazakhstan. Kyrgyzstan was a "Russian orchestrated change of President, there is a 100 percent Russian President now."

112. (C) Aliyev opined that Cuba, as a poor and completely totalitarian country, could change dramatically overnight just as the USSR did under Gorbachev. "He opened a small window, and a big river that he could not control" came in. Aliyev said that Azerbaijan considers Gorbachev "a criminal" for sending troops to kill Azerbaijanis and for his support

for separating N-K, which ultimately led to the USSR's collapse. Azerbaijanis had a unique experience living under the Soviet system and even for young people today the Soviet mentality that the State "owes you, is obliged to care for you," lingers.

Azerbaijan's Development

¶13. (C) Aliyev outlined for A/S Lowenkron his intention to create an American-style university in Azerbaijan to provide the education, research and think-tank capacity the country currently lacks. Government decision-making at present is "by intuition" in the absence of policy and decision making capacity and process, Aliyev said, adding that "the US style of decision-making is the best." Mammadyarov added that the goal is to create a new generation that understands government as government, and business as business, and how to separate the two.

¶14. (C) Aliyev said it is important to create the think tank, social and university infrastructure, and the modern services and facilities, to support a standard of living that will allow Baku to develop as a center for regional researchers. In the past Azerbaijanis would go to Turkey. Now, "we need to create such a country that our children will never think of going to live somewhere else and the Turks will come here. We are working on that - we already see the first signs." Azerbaijan is a multi-ethnic and multi-religious society. "We want to protect and stimulate" this identity and are "working on preserving this spirit," Aliyev said.

¶15. (C) Stating that "Azerbaijan is the only real secular country in the Muslim world with a predominantly Muslim population," Aliyev said that Azerbaijan's secular identity is not an issue with other Muslim countries, even with Saudi Arabia. Once Iranian President Ahmadinejad had tried to raise the issue with him; "I said, the Jews are our brothers," Aliyev noted, adding that "it is very important to be straightforward" with the Iranians. Aliyev said he does not allow Islamic sects to put money into building mosques in Azerbaijan ("there is a danger of Wahabbism from there") but he has financed from the state budget the building of some mosques and the provision of headquarters for the Sheikh who heads the Caucasus Muslim board. He said that it would be better to build schools from the perspective of the development of the country. In Azerbaijan's southern regions, near the border with Iran, Aliyev said he instructs his officials to help with "concerts, discos, pop performers from Baku to orient people to these values, not elsewhere."

Railroad

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¶16. (C) Aliyev said he understands there is legislation awaiting the President's signature to block USG financing for the Kars-Akhalkalaki-Baku railroad. He said he does not understand how the US could support the BTC pipeline and oppose the railroad. If Armenia liberates the occupied territories, it can participate in the project. Azerbaijan has provided a \$200 million loan to Georgia to support the railroad. If the President decides to sign this legislation, it will mean the US is supporting Armenian interests over Azerbaijan's and Turkey's interests and this will be a "painful political decision."

US Commercial Engagement

¶17. (C) Aliyev renewed his plea for more US commercial engagement in Azerbaijan, especially investors and service providers in connection with Azerbaijan's major industrial development program to be financed by the new State

Investment Company. Through this company, foreign companies, including SMEs can participate in projects to be financed by the state budget. The French are very active in sanitation and the Chinese in water projects. Azerbaijan is building ten new hospitals in the regions, with plans to build up to 50 in the next three years. Siemens recently beat General Electric on a project in Nakhchivan because of its presence in Azerbaijan. Aliyev recalled that State Department Commercial and Business Advisor Frank Mermoud had offered to help engage the National Association of Manufacturers' interest in Azerbaijan and said he would be interested in following up.

Comment

¶18. (C) A/S Lowenkron's two separate extended talks with President Aliyev (septel) indicate that he can "talk the talk" when it comes to what Azerbaijan needs to do in the coming years to successfully transition to a viable market-based democracy, with the main question being one of whether he "walks the walk" on implementation. We will work closely with Washington to make optimal use of Aliyev's call for increased US dialogue on democracy.

¶19. (U) A/S Lowenkron cleared this message.
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